

HCS HB 813 -- EARLY STAGE BUSINESS DEVELOPMENT

SPONSOR: Torpey

COMMITTEE ACTION: Voted "Do Pass" by the Special Standing Committee on Small Business by a vote of 16 to 2.

This substitute requires the Department of Economic Development to distribute \$8 million for four fiscal years to no more than five Early Stage Business Development Corporations (ESBDC). An "ESBDC" is a not-for-profit corporation designated by the department to receive funds and award grants to winners of national or international competitions for early stage businesses with substantial operations or that are beginning operations in Missouri and have the potential for national or international sales or the development of new technologies. To be eligible for designation, the ESBDC must provide grants to for-profit companies without taking an equity interest in the company, and the grants must not be loans in the three largest metropolitan statistical areas (MSAs). The grants are limited to \$200,000 per company.

The grants must be distributed as follows:

- (1) One ESBDC in each of the three largest MSAs will receive \$2 million; and
- (2) Two ESBDCs operating in rural Missouri or smaller MSAs will receive \$1 million.

If the funds are not used in one area they may be redistributed to other ESBDCs in the same category.

To be eligible for designation by the department, a not-for-profit in one of the three largest MSAs must raise at least \$2 million from other sources, and a not-for-profit in rural Missouri or another MSA area of the state must raise at least \$150,000 from other sources prior to applying for the first time. The not-for-profit must apply to the department for the designation by October 15 of the fiscal year in which the funds are sought and the department must make a decision on the approval of the application within 60 days.

The substitute specifies the criteria for choosing the not-for-profit to be designated, and the designation will be for a two-year period. If multiple applications are submitted for designation from the same area and meet all of the requirements, the department must designate the not-for-profit having a history of raising the most money.

The not-for-profit may use the funds for administrative expenses, grants, operations, and building a long term endowment. Funding for the program ends after \$32 million has been paid to the department for the ESBDCs unless this section is renewed.

PROPONENTS: Supporters say that the bill is an economic development tool for businesses. The nonprofit corporations in the three large urban areas must raise \$2 million on their own; then, the Department of Economic Development will provide matching funds to hand out to start up companies for venture capital. In the two rural areas, a nonprofit must raise \$1.5 million to get \$1 million from the department to give out. The fiscal note for this program is \$8 million a year for a total of four years. This program requires community involvement to help the new business raise initial capital similar to a program in Massachusetts. Some nonprofits have already raised up to \$3.5 million in donations. Donors give money without getting anything back, but some donors may invest in the company once it is up and running.

Currently a young business can receive Arch grants or work with a college to develop its business. Missouri has lots of innovation and needs to entice others to locate here. The partnership idea in the bill is great and providing start up capital is really needed. We will be creating industry and jobs around the state.

Testifying for the bill were Representative Torpey; Jerry Schlichter; Jonathan Leek; Dheeraj Patri, Food Essentials; Missouri Chamber of Commerce and Industry; and Center for Emerging Technologies.

OPPONENTS: There was no opposition voiced to the committee.